

Message Text

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ACTION ARA-17

INFO OCT-01 ADP-00 IO-13 AID-20 EB-11 NSC-10 RSC-01

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USIA-12 RSR-01 /140 W

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TO SECSTATE WASHDC 5935

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TAGS: OAS, EFIN, PE

SUBJ: OAS PROGRAM IN CAPITAL MARKET DEVELOPMENT

1. ROLF LUDERS OF OAS, CHILEAN NATIONAL IN CHARGE OF US- FUNDED CAPITAL MARKET DEVELOPMENT PROGRAM, VISITED LIMA MAY 28-31. FOLLOWING ARE HIS FINDINGS, WHICH HE DISCUSSED WITH REGIONAL INTEGRATION OFFICER.

2. PRIOR STUDIES FINANCED UNDER THIS PROGRAM IN PERU CULMINATED IN SYMPOSIUM FIVE MONTHS AGO AT WHICH THREE PRINCIPAL RECOMMENDATIONS HAD BEEN MADE. FIRST, NEED TO DECENTRALIZE CREDIT FROM LIMA. SECONDLY, EQUALIZE INTEREST RATES ON SAVINGS WITH SIMILAR OBJECTIVES SO THAT SMALL AND LARGE INVESTORS CAN HAVE COMPARABLE RETURN. THIRDLY, STUDY FEASIBILITY OF READJUSTABLE INSTRUMENTS WHICH TAKE INTO ACCOUNT INFLATION. OAS WAS DISAPPOINTED THAT PERU MADE NO FOLLOW- UP REQUEST FOR TECHNICAL ASSISTANCE TO IMPLEMENT THE RECOMMENDATIONS.

3. LUDERS HAD DISCUSSIONS MAINLY WITH GERMAN DE LA MELENA (NEW PRESIDENT OF COMISION NACIONAL DE VALORES), EMILIO BARRETO (PRESIDENT OF CENTRAL BANK) AND LUIS
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BARUA (PRESIDENT OF COFIDE AND OF BANCO POPULAR, BOTH STATE- OWNED). LUDERS CONCERNED ABOUT STATIST ORIENTATION IN GOP SAVINGS AND INVESTMENT PROGRAM, BUT NOW FEELS THAT DOOR NOT CLOSED TO PRIVATE CAPITAL FORMATION. AS RESULT OF CONVERSATIONS, GOP OFFICIALS GREATLY INTERESTED IN OAS COOPERATION AND LETTER TO THIS EFFECT TO BE SENT TO WASHINGTON SHORTLY. LUDERS ESTIMATES THAT TECHNICAL ASSISTANCE VALUED 40 TO 50 THOUSAND DOLLARS MAY BE RENDERED TO PERU OVER NEXT TWO YEARS.

4. BARRETO STRESSED TO LUDERS THAT GOP RELATIVELY SUCCESSFUL IN CAPTURING SAVINGS THROUGH SALE OF GOVERNMENT BONDS. THE PROBLEM, HE ADDED, IS THAT NO MARKET EXISTS FOR THESE BONDS. BARRETO ALSO EMPHASIZED POTENTIAL SIGNIFICANCE OF " CERTIFICATES OF PARTICIPATION" WHICH MINISTER OF ECONOMY AND FINANCE ANNOUNCED RECENTLY. THESE CERTIFICATES WILL HAVE MUTUAL FUND FEATURES BY REPRESENTING FIXED RETURN INSTRUMENTS IN PORTOFOLIO (PRESUMABLY GOVERNMENT BONDS), AS WELL AS BONDS AND SHARES OF PRIVATE CORPORATIONS. MARKETED THROUGH AUTHORIZED FINANCIAL INTERMEDIARIES, THESE CERTIFICATES ARE DESIGNED TO OFFER SAFE INVESTMENT, ATTRACTIVE RETURN, AND ADEQUATE LIQUIDITY FOR SMALL INVESTORS.

5. BARRETO AND DE LA MELENA SUGGESTED THAT OAS RENDER TECHNICAL ASSISTANCE ON POINTS ONE AND TWO IN PARAGRAPH TWO ABOVE, AS WELL AS ON PROCEDURES TO CREATE MARKET FOR THE NEW CERTIFICATES OF PARTICIPATION.

6. LUDERS WAS IMPRESSED WITH BARRETO AND BARUA. LATTER EXPRESSED HIS BELIEF IN DECENTRALIZATION, WHICH GOES COUNTER TO HIS PREDECESSOR' S PROGRAM OF CONCEN- TRATING INVESTMENT AND FINANCING FUNCTIONS IN COFIDE. LUDERS OF OPINION THAT SOCIAL PROPERTY LAW, IF AND WHEN FINALLY MADE PUBLIC, MAY OFFER ADDITIONAL CHANNEL FOR INVESTMENT FLOW, BUT UNLIKELY TO MODIFY SIGNIFICANTLY CURRENT GOP APPROACH TO SAVINGS GENERATION.
BELCHER

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